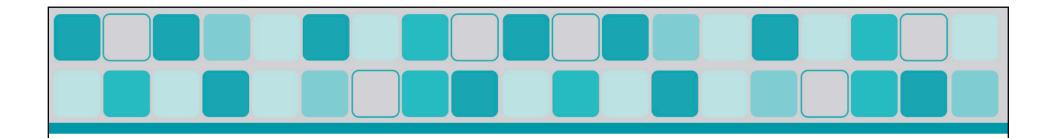


### RECENT AUDIT ISSUES

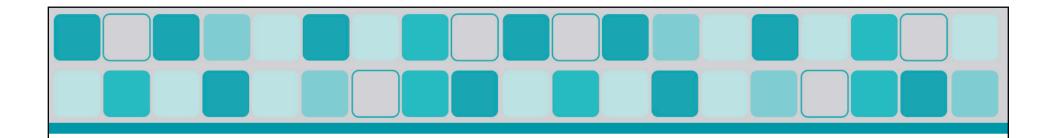


Caryn Shea | Chief Auditor | PERAC Winter 2018



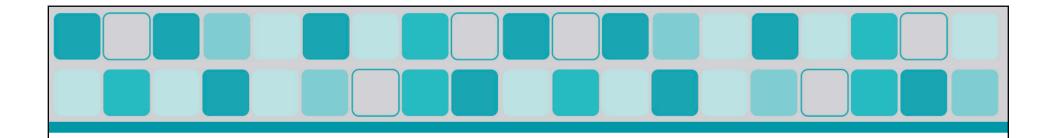
### **Areas To Be Covered**

- Cash Management
- Member Contributions
- Regular Compensation
- Monthly Financial Packet
- Board Minutes
- Benefit Calculation



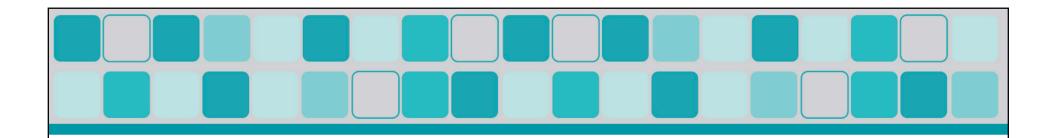
# Cash Management

- Bank Reconciliations
  - Treasurer not performing the reconciliations
  - Stale outstanding checks (over 6 months)
  - Reconciling items that are carried for months/years
  - Reconciliations not signed or dated by preparer or reviewer



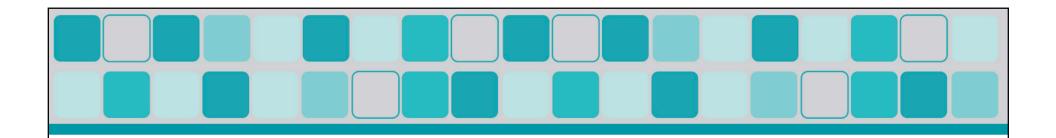
### Cash Management (Continued)

- Investment Management Fees
  - Management fees were recorded net of income
    - Not accounted for in general ledger account #5304
  - Four quarters of fees not recorded in a year
    - Not properly accruing management fees at year end
  - Managers not listed on Schedule 7
  - No fee information listed on schedule 7



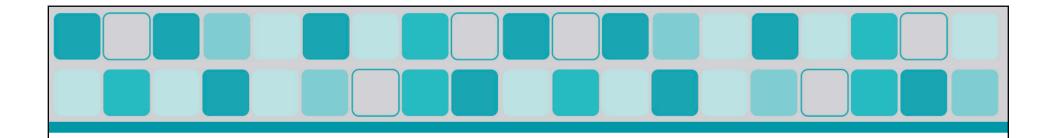
#### **Member Contributions**

- Base percentage (5, 7, 8, 9) rates incorrect
  - Incorrect start date of a transfer in
  - Member working in different units with different start dates
- Additional 2% contribution rate incorrect
  - Overlooked
  - Miscalculated
    - o PERAC Memo #43/1999 2% withholding



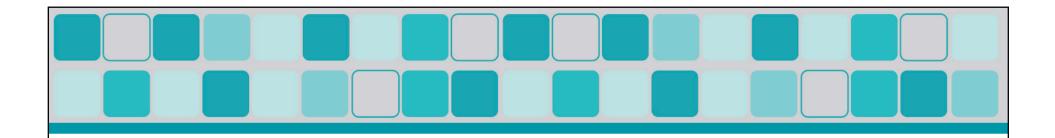
# Regular Compensation

- Items incorrectly included as compensation
  - Overtime
  - Bonuses
  - Allowance for cell phone
  - Uniform allowance
  - Retirement incentives
  - Sick and/or vacation payouts
  - Fees paid to an inspector



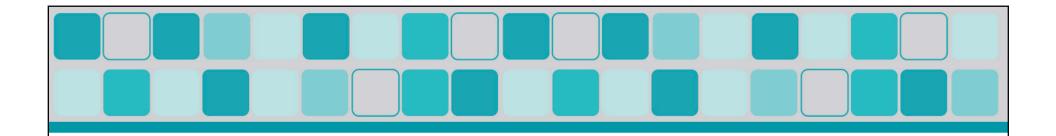
### Regular Compensation (Continued)

- Items incorrectly excluded from compensation
  - Shift differential pay
  - Police & Fire holiday pay
  - On call pay
  - Stipends
    - Coaching
    - Beeper



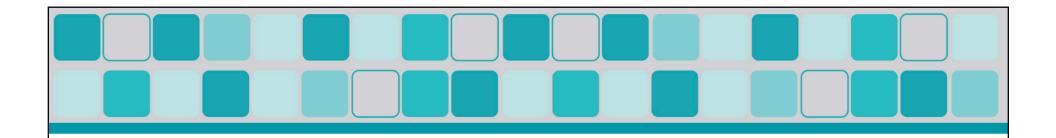
#### Recommendation

- Keep an open dialog with the payroll coordinator at each of your units
- Discuss new payroll codes
- Board should be determining if compensation is pensionable or not, don't leave it up to the payroll coordinator



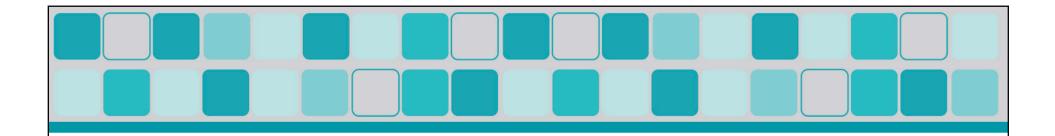
### Payroll Review

- Annually review a full payroll register
  - Look at all units
  - Look for people who have no retirement deductions taken
    - Could be erroneously left out of the system
    - o Are deductions taken for OBRA?
- How many Boards have read only access to the payroll system?



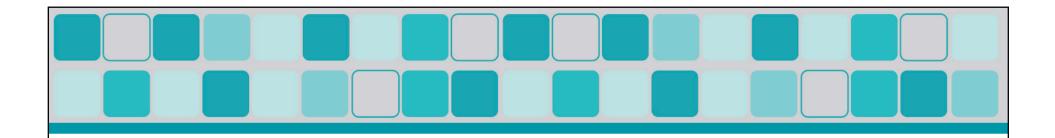
### Pay Code Review

- Get a list of pay & deduction codes from large units
  - School and town usually have their own
- Does the listing of codes include if retirement is deducted?
- How clear are the pay names?
- Review the Collective Bargaining Agreements, these should be in the retirement office



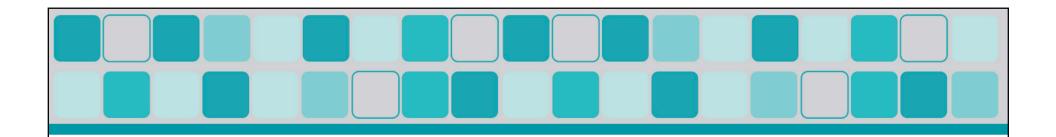
#### **Deduction Code Review**

- Base deductions and 2% usually have separate "deduction codes"
- Payroll system can print out a list of what pay types are subject to which deduction
- We have seen cases where the pay codes are subject to some, but not all of the deductions



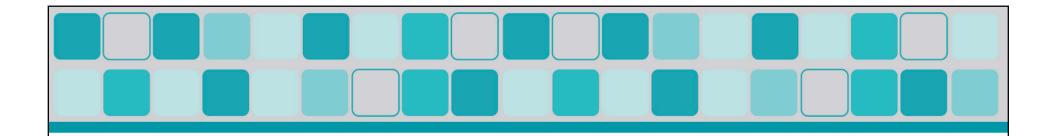
# Monthly Financial Packet

- Should consist of:
  - Cash reconciliation (including bank statement and outstanding check list)
  - Monthly accounting (trial balance, cash receipts, cash disbursements, adjusting journal entries)
  - Budget to Actual Expense Comparison (if not monthly, quarterly)
  - Cash Flow Forecast



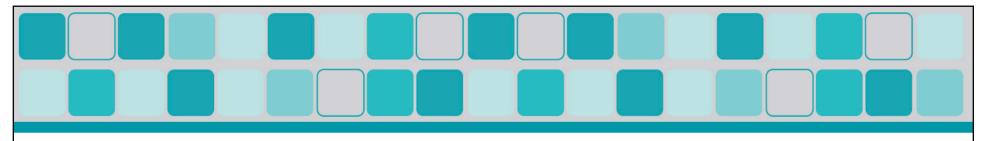
#### **Board Minutes**

- Missing minutes of open and/or executive session meetings
- No indication in the minutes that a financial packet was made available to the Board for review and what it consisted of
- No vote to accept the minutes of the previous meeting
- Roll call protocol not being followed during remote participation and/or executive sessions



#### **Benefit Calculations**

- Payroll information not included in folder
- Deduction reports, instead of payroll, used in calculations
- Anti-Spiking: no explanation as to why an exception applies
- Items incorrectly included or excluded from regular compensation
- Documentation not included in folder
  - Birth certificates of retiree or beneficiary
  - Marriage certificate



# Questions?



- Contact Information:
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  - <a href="mailto:cmshea@per.state.ma.us">cmshea@per.state.ma.us</a>